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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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State Dept. review completed

No 42

1 June 1972

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Approved For Release 2003/08/21 : CIA-RDP79T00975A022000060001-0

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No. 0131/72
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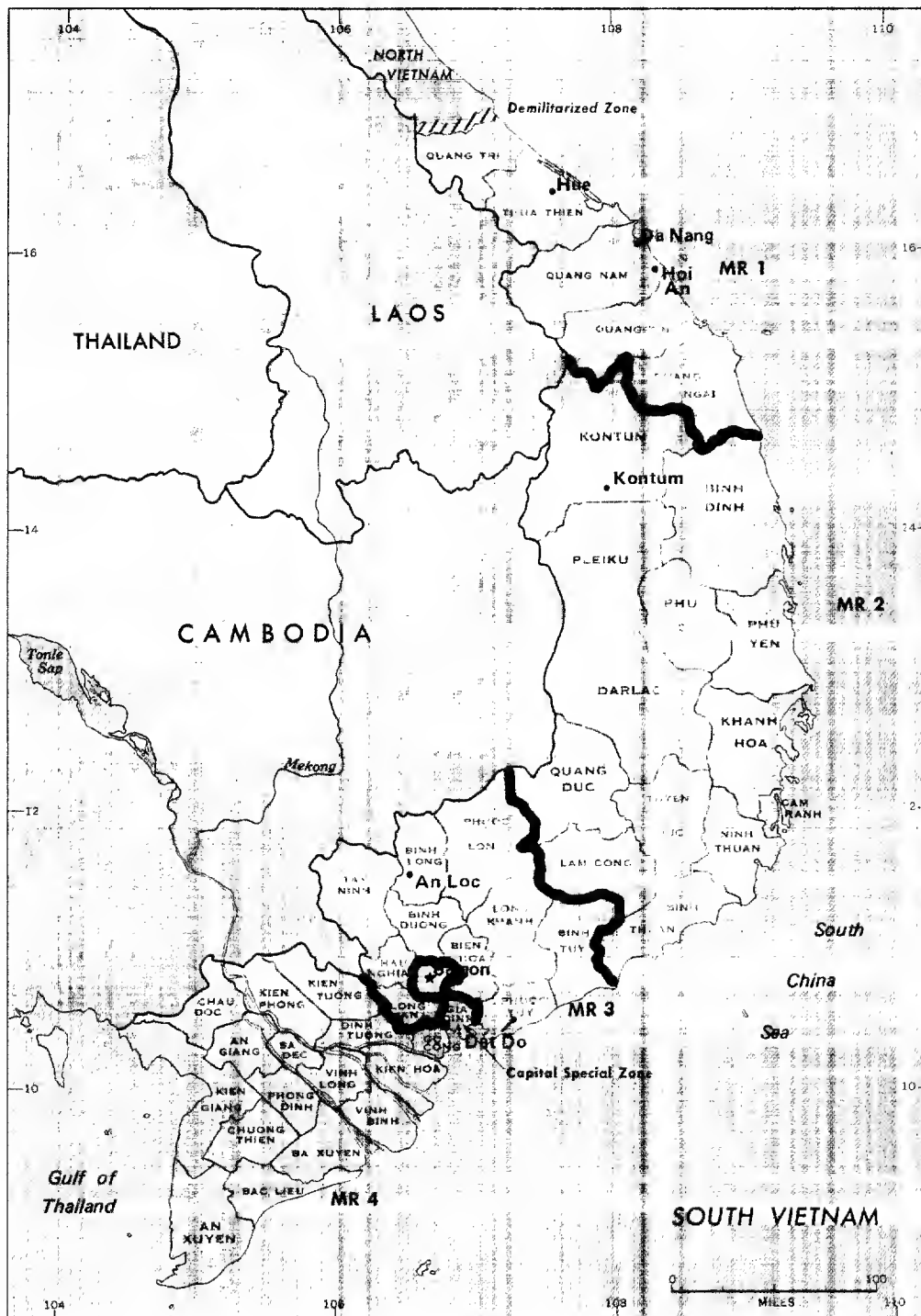
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VIETNAM: South Vietnamese forces in the highlands are still clearing enemy pockets in Kontum City, while scattered clashes have occurred on other major battlefronts.

Government regulars with tank support engaged in house-to-house fighting to drive Communist troops from the northern portions of Kontum City, but territorial forces trying to clear sappers from the southeastern section have so far been unable to prevent reinfiltration during nighttime hours. There are indications, moreover, that the Communists may be committing another regiment against the city. A prisoner captured just north of the city on 30 May says his regiment [] has been reassigned from the B-3 Front command to the 2nd Division. The division's 1st Regiment has been one of the principal units involved in the latest fighting for the town.

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On the northern front, the Communists continue to harass government defenses north and west of Hue with shelling attacks and ground probes. Prisoners taken during the last several days along the Quang Tri - Thua Thien border are from four different regiments subordinate to three different divisions or commands. The proximity of these regiments suggests that they may now be controlled by a single authority coordinating the campaign against Hue.

Farther south along the coast, the Communists apparently are preparing to increase activity in Quang Nam Province. []

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North of Saigon, the government relief forces stalled south of An Loc were in heavy contact throughout much of the day yesterday. Air strikes were also called in against an armored column []

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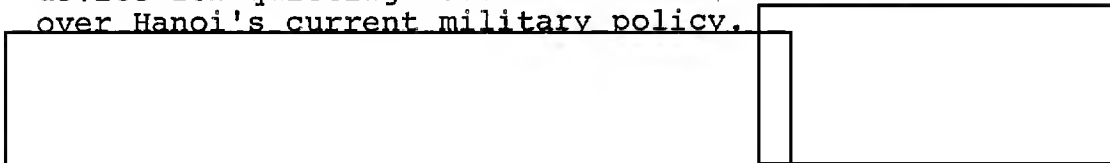
sighted about six miles southeast of An Loc and against troops observed digging in nearby.

In adjacent Tay Ninh Province, government troops have reoccupied part of a border district that had been abandoned to the Communists early in May. In Phuoc Tuy Province southeast of Saigon, however, the situation remains serious. No progress has been made in clearing Communist forces from the capital of Dat Do District, and three of the other four districts are under heavy enemy pressure.

* * * *

An article in the May issue of the North Vietnamese military journal hails battlefield "successes" to date as evidence that the "Vietnamese revolutionary forces" can and should continue fighting for a prolonged period if necessary. The article, recently broadcast by Radio Hanoi to the South, portrays allied setbacks as proof that Vietnamization has been defeated and the way opened to further Communist gains, including "areas adjacent to the cities."

The article also makes numerous allusions to the "proven" value of using all forces at the disposal of the Communists and of adapting strategy to particular conditions. This suggests that the author, who may be a high official in Hanoi, intended it not only as a standard morale booster but as a device for quieting reservations in some circles over Hanoi's current military policy.



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MEXICO-US: The salinity question looms as the most troublesome of the issues to be discussed when President Echeverria visits Washington on 15 June.

Foreign Secretary Rabasa recently told the US ambassador that he did not foresee any progress on the issue prior to the meeting of the two presidents. At issue is the salt content of Colorado River water flowing into Mexico. Mexicans have long complained that US irrigation systems have washed so much salt out of the soil that the water reaching Mexico is far more saline than they are willing to accept under a treaty signed by the two countries in 1944.

Rabasa said that Echeverria has not yet decided what approach to take in Washington, but was considering two alternatives. The first would be legal action, claiming that under the treaty Mexico has the right to water of the same quality as that provided to the last users in the US. The second would be to accept a two- to four-year agreement presumably taking the quality of water the US now is offering and spelling out precisely the form of arbitration to settle the dispute.

Rabasa has been a difficult negotiator on this issue, perhaps hoping to wrest dramatic concessions from the US as a display of his diplomatic skill. Echeverria, on the other hand, seems reluctant to force a legal confrontation. He backed off from such a course last November, opting instead for another year's extension of the agreement to improve water quality under which the countries have been operating the past six years. A temporary agreement thus seems possible--but not before the Mexicans try some more arm twisting.

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FEDAYEEN-JAPAN: Relations between the Popular Front for the Liberation of Palestine (PFLP) and the radical Japanese "Red Army Faction," which carried out the terrorist incident at Tel Aviv airport on Tuesday, have been developing over the past six months.

Under an agreement worked out in late 1971, PFLP officers have gone to Tokyo to study the organization and methods of the Japanese group, and Japanese activists have visited PFLP bases in Lebanon for study and training. The Japanese terrorist captured at Tel Aviv airport on 30 May was among those who had received such training, according to an Israeli report.

Until their camps in Jordan were eliminated in 1970-71, various Palestinian fedayeen organizations provided commando training to revolutionaries from Europe and third world areas. There has also been some evidence of cooperation between Palestinian terrorists and European radicals in hijacking and sabotage operations designed to focus attention on the Israeli occupation of Arab territories.

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IRAN: The bombings in Tehran demonstrate the ability of terrorists to create embarrassing incidents, but they pose no threat as a political movement.

The most recent attacks were targeted against US personnel and installations, timed to coincide with President Nixon's visit. Two explosions occurred at the tomb of the Shah's father about an hour before the scheduled arrival of the President's motorcade. In other incidents, a member of the US military mission was injured when his car was bombed, and explosions occurred at two US military parking lots and at the USIS office building in Tehran.

Terrorist activity has occurred with some frequency during the past two years, although at a decreased level since a large-scale roundup of suspected dissidents just before Iran's 2,500th anniversary celebration last fall. Radio Baghdad had urged dissidents to step up a terrorist campaign against the Shah's regime in an attempt to disrupt the President's forthcoming visit.

As a warning to potential terrorists, the government executed five guerrillas last week and sentenced about 80 others to long prison terms. So far this year, 28 terrorists have been executed; at least as many have been killed in gun battles with security officials; another 150 are known to have been jailed, although the actual number is probably much higher.



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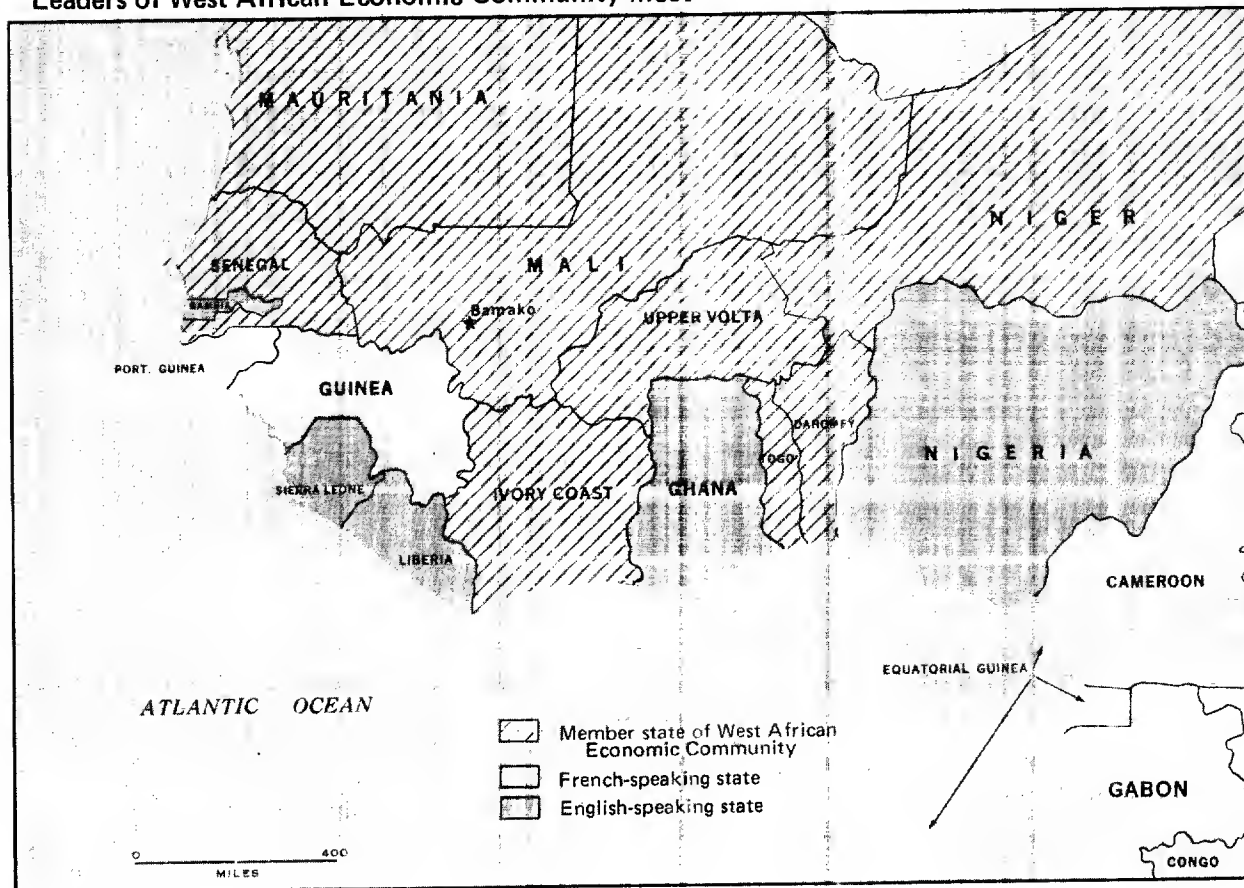
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Leaders of West African Economic Community Meet



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WEST AFRICA: Chiefs of eight French-speaking West African states meet in Bamako, Mali today in another attempt to promote meaningful regional economic cooperation.

The immediate objective of the conferees will be to establish on firm footing an organizational framework, called the West African Economic Community, projected at a meeting two years ago in Bamako. At that time a charter was signed that called for cooperation in regional trade, transportation, and industrial development, and for the progressive adoption of a common external tariff. Nothing was done to implement the scheme, however, until a few months ago when President Senghor of economically constricted Senegal began to push it again. His chief supporters are the poorer inland states; relatively rich Ivory Coast, which signed the 1970 charter despite its traditional wariness of any wide regional community, evidently remains a reluctant participant.

At least some members of the new community strongly favor its eventual expansion to include the region's English-speaking states. Several earlier efforts to establish such a broad grouping have foundered, in large part because of opposition by France, which retains important influence in the area. Although Paris is still opposed to a grouping that would include English-speaking states, partly because it might dilute franc zone arrangements, it has done nothing to dampen enthusiasm among French-speaking countries for stronger regional cooperation. Meanwhile, proponents of an inclusive regional grouping have been encouraged by the increasing interests of Nigeria, by far the largest and strongest state in West Africa.

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AFGHANISTAN: The King reportedly is considering major political changes.

Foreign Minister Shafiq told the US ambassador that the King is impatient with the political and social stagnation of the country. Shafiq maintains that a comprehensive program is needed to meet Afghanistan's problems and the King shares this view. The program will include the establishment of provincial legislatures, elected municipal governments, and political parties. Shafiq, however, said that much more extensive changes are needed.

Prime Minister Zahir has managed to avoid parliamentary action against him, but he has made no progress in resolving his basic difference with the deputies. With Zahir's government unable to act decisively in the face of increasingly serious social, economic, and political problems, the King may have decided to replace him. Shafiq appears to be the leading candidate for the post.

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SUDAN-CHINA: Chinese military equipment was displayed for the first time during the Revolutionary Day celebration on 25 May. The six MIG-17 jet fighters and eight medium tanks reportedly present at the parade are probably part of the first delivery of Chinese arms [redacted] Peking has been able to step into the arms supply opening created by the decline in Sudan's relations with the USSR since President Numayri's successful counter-coup last July. [redacted]

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LEBANON: The cabinet formed on 28 May by Prime Minister Saeb Salam is not likely to get badly needed social and economic reforms under way. With few exceptions, its members are old, conservative, and technically incompetent. The cabinet represents nearly all major factions in the new parliament and should have no trouble getting a vote of confidence. Within a short time, however, it will become the object of severe criticism not only from newly elected leftist deputies but from the press and younger elements of the electorate, whose large pro-left protest vote reflected growing impatience with government inaction. [redacted]

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ICELAND-UK: The latest round of negotiations has failed to produce an interim solution to the problem of British residual rights within Iceland's proposed 50-mile fishing limits. Nevertheless, the gap between the two narrowed during the discussions of 23-25 May, and both sides want to avoid a new "Cod War." In the face of Icelandic intransigence, the British are resigned to the inevitability of further restrictions despite strong domestic pressure to resist the new limits. The UK is seeking an interim arrangement to protect its interests from 1 September, when the new limits take effect, until the International Court of Justice renders a decision on Iceland's unilateral action. The Icelanders, who have not committed themselves to abide by ICJ adjudication, prefer a two- or three-year transitional agreement. The two sides will meet again in late June in an attempt to resolve differences over the size of a British-proposed quota and limits on vessel size and access to restricted zones as favored by Iceland.

* * * *

JAMAICA: Prime Minister Manley apparently intends to pursue and possibly to broaden the nationalization policies of the predecessor government. After an initial hiatus following its election three months ago, the People's National Party government is now pressing US-controlled car rental agencies to transfer controlling interest to Jamaican nationals within three months or lose their airport concessions, which account for over half of the companies' local revenues. This decision may portend an expanded nationalization drive, which in the past had been largely concentrated in the banking and insurance sectors. Despite indications of a measured approach, the government's recent moves will increase concern in some sectors that the nationalist pressure could spread to the important bauxite-alumina industry.

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ECUADOR: Increasing friction between the army and navy could cause serious problems for President Rodriguez. Many officers in the navy, the most progressive of the Ecuadorean armed services, are dissatisfied with the President's failure to provide strong leadership. In addition, some believe that the army is attempting to gain control of Guayas Province and the port of Guayaquil. There reportedly is some sentiment within the navy for replacing Rodriguez with a triumvirate in which the navy's representation would be at least equal to that of the other services. Although there appears to be no immediate threat to Rodriguez' government, this rivalry could make it increasingly difficult for the administration to function effectively.

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